

SPELL

# FY21 Impact Report









# A note from Lizzy

And in the blink of an eye the next year looms before us, full of promise and new opportunities, and in the same breath, the *code red* climate reports released in the past 24 months, a bright future feels like a seemingly impossible mountain we must all climb together. In the final weeks of 2021, we witnessed COP26 unfold amidst a sea of potentially too-little, too-late climate pledges from the worlds' governments, reinforcing something we all knew: we cannot wait around for governments to develop legislation to guide businesses into climate action. We need radical change, and we need it immediately. We must take matters into our own hands, adopting and implementing responsible strategies throughout our entire business.

For Spell, FY21 was a year of controlled degrowth as we continued to respond to the on-going uncertainty and unpredictability across the globe. Our team adapted and evolved; the challenges providing an opportunity to rise and grow stronger whilst exploring the notion that perpetual growth is negotiable after all.

Despite the challenges, we had success worth celebrating, our design and product teams exceeded our Preferred Fibre targets for FY21, we furthered our involvement in the circular economy by joining the fashion rental market and continued our efforts in mapping and verifying the social standards of our supply chain. We reassessed our sustainability strategy, decentralising and integrating it across all functionalities of our business. We quickly realised that the responsibility was welcomed by all team members, and our passion to make positive impact was shared. Amidst our ongoing commitment to develop, learn (and un-learn) in areas of Anti-

racism, Diversity and Inclusion, we published our Diversity and Inclusion statement and made strong headway on our Reconciliation Action Plan.

While there is still so much work to be done on all fronts, our mission and roadmap are clearer than ever before, and we look forward to the challenges and achievements this new year will bring.

But let's get real... this Impact Report is about holding our selves accountable and, when it comes down to it: eliminating any opportunity for green washing. We want you, our community to use this Impact Report as a resource to know what is going on 'behind the seams'. And when we talk about all the exciting sustainability things we're doing (or not doing!) for the planet – it's all here in black and white (well, in blush and sage...). Happy reading!

x

Elizabeth Abegg

Co-Founder / Chief Branding Officer



# FY21 Key Achievements

## People

- 100% of our Tier 1 suppliers signed our Code of Conduct
- 89% of our Tier 1 suppliers undertook a third-party social audit
- Published our first Modern Slavery Statement
- Published our Diversity and Inclusion Statement
- 3 Fair Trade artisan projects, providing approximately 6,345 person-days worth of work



## Planet

- 88% of our fibres delivered throughout our collections were preferred fibres
- 100% of our calculated Australian and International organisation carbon footprint was offset
- Spell Renew initiatives utilised 4,940 metres of deadstock fabric
- Joined the circular fashion rental market, developing and rolling out our platform: Sister to Sister, hosted by GlamCorner
- Repaired 53 garments, restoring their original value



## Prosperity

- \$109,312 contributed to not-for-profit environmental and community organisations







# Sustainability at Spell

## Overview

We know our products are a luxury not a necessity, nevertheless we strive to provide a lower impact and more responsible option for our customer. We are committed to a proactive, data driven sustainability framework which guides every functionality of our business. We recognise the role we play as a driver for transformation within the global fashion industry.

As the current climate emergency becomes ever more critical, we know we must work even harder to deconstruct the old mindset that natural resource depletion is necessary for economies to thrive.

As we continue to measure and collect data within our business operations, we are able to make corrections and improvements to operate more responsibly. We don't always get it right the first time, but each piece of data is an opportunity to learn. By sharing our passion and knowledge and clearly communicating our challenges and achievements, we are keeping ourselves to account, endeavouring to inspire our Spell community as well as other brands.

This Impact Report summarises our efforts, achievements, and areas for further improvement as it pertains to our sustainability work spanning FY21, the 2021 financial year (July 1, 2020 through June 30, 2021).

## Strategy

Our vision is to always make better, more responsible decisions, to “inspire, beautifully – in harmony with people and planet.” Our priority is to minimise the environmental impact of the products we make through using fabrications which are organic, renewable, recycled or regenerative and to work with our global network of suppliers to ensure best practice social and ethical standards for our makers.

This year we further cemented our commitment to our on-going progress and hired a full-time dedicated sustainability specialist to cohere the team's forward motion and manage all aspects of our sustainability strategy.



# Three Pillars: People, Planet, Prosperity

Our sustainability strategy is built upon a framework of People, Planet and Prosperity. Our 2025 Sustainability Roadmap and annual targets are developed around these three pillars.

Pillar	Guiding Principle	Objectives	Delivers on SDG	2025 Goals
People	Responsibility & Visibility	Contribute to the improvement of global social conditions	SDG 10 SDG17	100% Tier 1 suppliers sign Code of Conduct
				Transparency: 100% of supply chain mapped
				Verify the social standards of entire supply chain
				All Tier 1 suppliers have effective grievance mechanisms and informed worker empowerment programs
Social Advocacy	Support and sustain artisanal design practices	SDG 10 SDG 12 SDG17	Partnership with Fair Trade artisan group for annual projects	
			Create, maintain & empower a diverse and inclusive workforce	Actively collaborate for ongoing cultivation of an inclusive culture for our team and community
Planet	Environmental and Climate Stewardship	Minimise environmental and ecological impact by prioritising responsible practices that support regeneration, circularity, and innovation	SDG 12 SDG 13	100% preferred fibres
				Reduce the impact that results from colouring our textiles: Eliminate harmful chemicals from printing and dyeing & utilise close-loop technologies and digital printing
				Verify the environmental standards of entire supply chain
				Embrace circular strategies to reduce textile waste and overuse of natural resources (GlamCorner rental platform, repair practices, Spell Renew, takeback scheme)
		100% of consumer packaging from circular or certified recycled sources (plastic-free)		
		Reduce climate impact of operations	SDG 12 SDG 13	Measure, reduce, and offset carbon footprint to achieve carbon neutral certification
Prosperity	Giving Back	Contribute to our local and global community through philanthropic endeavours	SDG 10 SDG17	Donate to organisations that support environmental and social causes

2021 saw us implement a decentralised sustainability strategy. Until this time, we had placed most of the driving force for our sustainable improvements in the hands of a few team members. This year, with the decentralised strategy *From Ambition to Adoption*, we successfully endeavoured to have each department in our domestic operations take ownership of the goals within their areas of responsibility and expertise. The strategy revealed outstanding results, closing out the year with quantified and measured achievements within each department. We will continue to embrace this strategy, as we further weave sustainability into the fabric of our operations.



# United Nations SDGs

The UN Global Compact is an international sustainability initiative, which aims to encourage organisations to align their sustainability goals to maximise the opportunity to use business as a force for good.

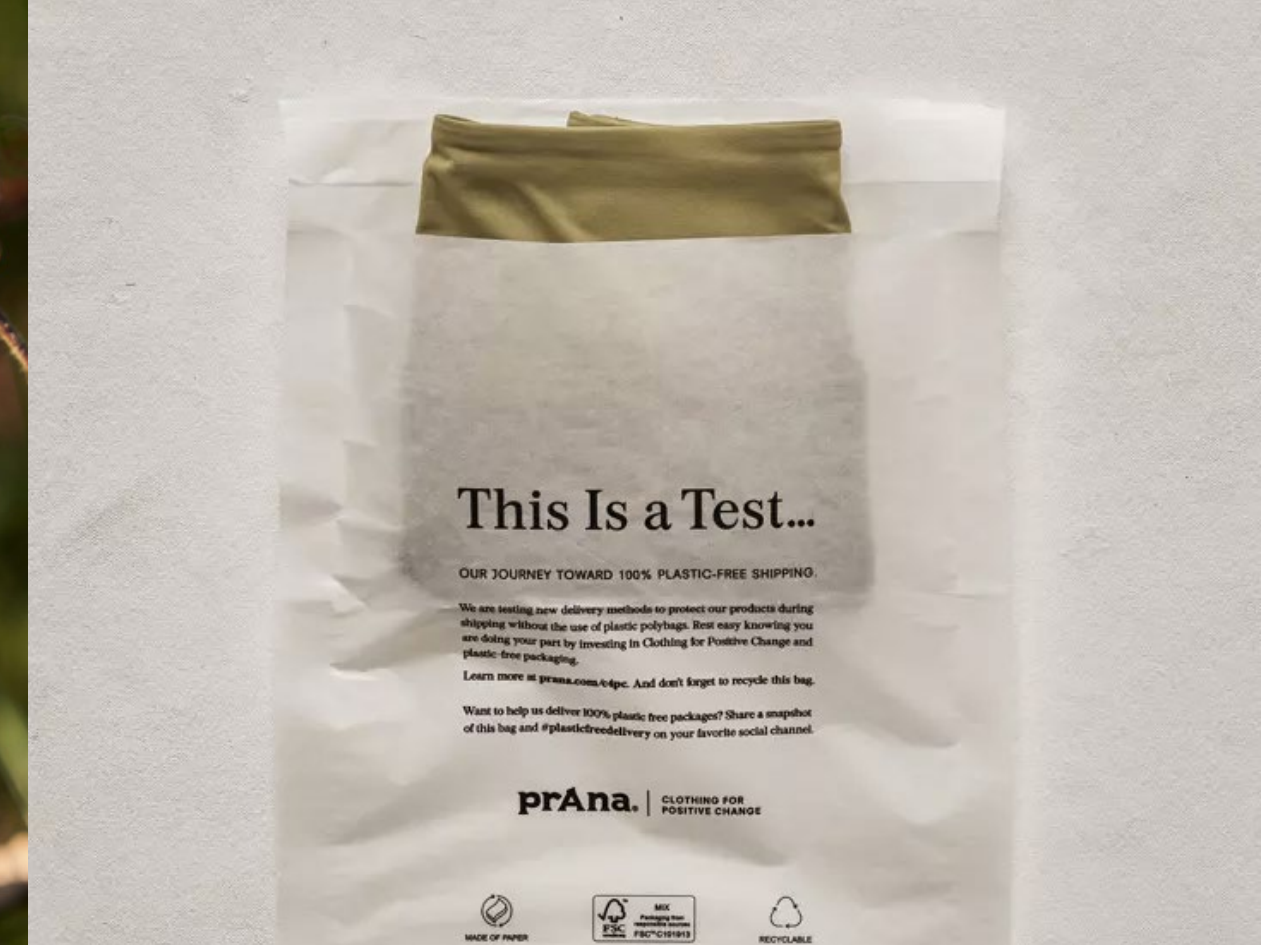
The UNGC developed 17 Sustainable Development Goals (SDGs) as part of the 2030 Agenda for Sustainable Development for businesses & organisations to adopt to create a better future for all people, the environment and all living creatures that call this planet home.

We signed the United Nations Global Compact in 2020 and committed to align with the SDGs. We have chosen to prioritise the four that are most relevant to what we do, and where we feel we can make the most impact. These SDGs reinforce our three pillars of sustainability and provide us with navigational support on our Roadmap as we develop our annual sustainability targets.





# Alliances for Progress



## CanopyStyle Initiative

By signing with the CanopyStyle Initiative in 2018, Spell committed to support the protection of ancient and endangered forests by sourcing responsibly sourced fibres in our garments and packaging.



## United Nations Global Compact Australia Network

In 2020 we became one of the first 4 Australian fashion labels to become an official member of the UN Global Compact. We have joined the Australia Network in order to collaborate with other businesses & organisations to adopt to create a better future for all people, the environment and all living creatures that call this planet home.



## Textile Exchange

This year, Spell became members of the Textile Exchange. Bringing together players from all tiers of the textile industry supply chain, Textile Exchange aims to collectively achieve climate reduction goals and facilitate positive impacts from raw material to production.



## prAna Responsible Packaging Movement

In 2020 we joined the prAna Responsible Packaging Movement, a collaborative initiative that brings brands together to reshape our industry's packaging habits. In joining the movement, we made the commitment for 100% of our consumer packaging to be plastic-free and made from certified recycled or regenerated sources by 2025.





People



## 2025 Sustainability Roadmap:

# People

Guiding Principle	Objectives	Delivers on SDG	2025 Goals
Responsibility & Visibility	Contribute to the improvement of global social conditions	SDG 10 SDG17	100% Tier 1 Code of Conduct Signed
			Transparency: 100% of supply chain mapped
			Verify the social standards of entire supply chain
			All Tier 1 suppliers have effective grievance mechanisms and informed worker empowerment programs
Social Advocacy	Support and sustain artisanal design practices	SDG 10 SDG 12 SDG17	Partnership with Fair Trade artisan group for annual projects
	Create, maintain & empower a diverse and inclusive workforce	SDG 10	Actively collaborate for ongoing cultivation of an inclusive culture for our team and community



# Responsibility & Visibility

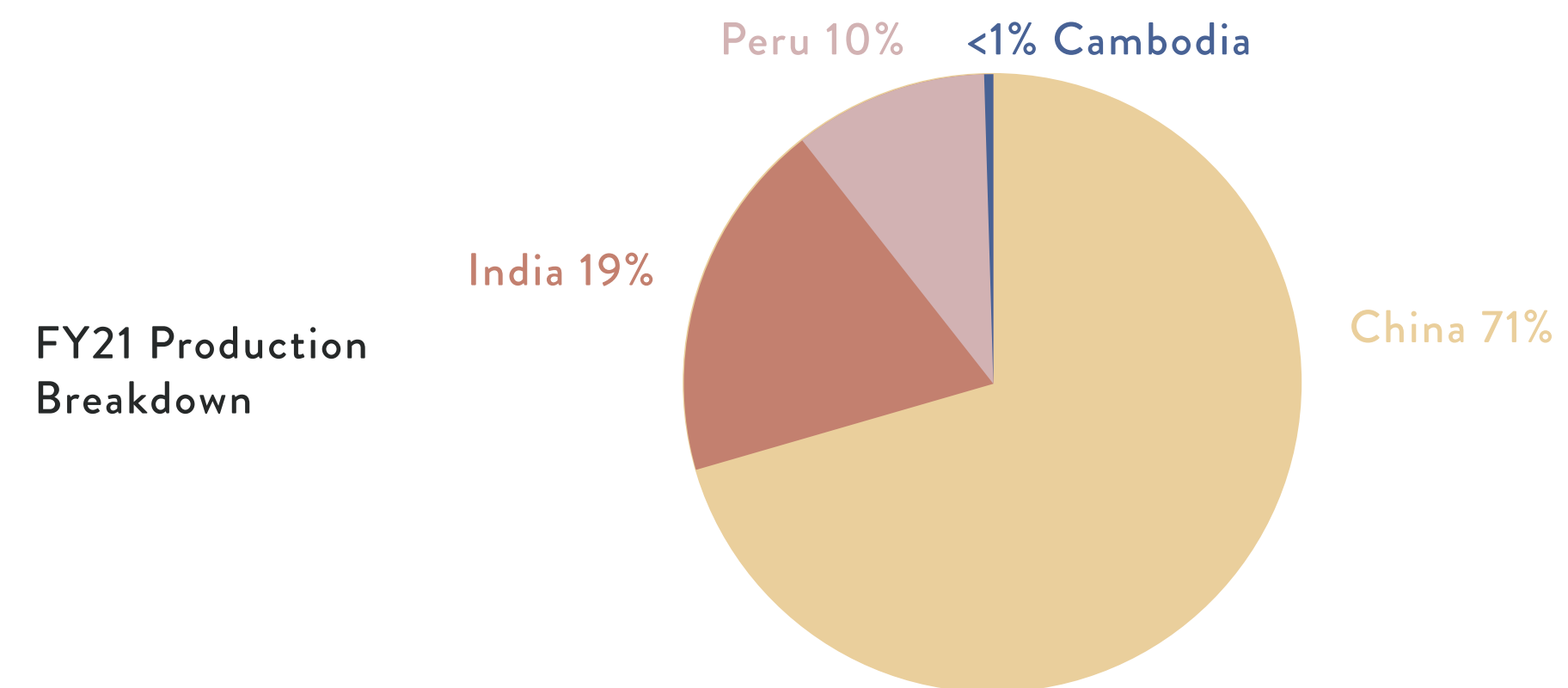
## Our global community

The heart of our organisation is our headquarters, warehouse and flagship store located on Bundjalung Country in Byron Bay, Australia where 62 individuals were employed at the close FY21.

In FY21 we had approximately 141 wholesale stockists that operate in USA, Canada, New Zealand, UK, Spain, Germany, Netherlands, and Norway.

Spell works with 19 primary suppliers around the world, the majority being in three countries – China, India, and Peru. This year we also took on a new Tier 1 partner in Vietnam for collections from FY22. We established a new partnership with sustainable denim brand, Outland Denim and their suppliers in Cambodia and Turkey. Outland Denim boasts an organic cotton supply chain that is 100% traceable.

Our production breakdown based on quantity of product for FY21 can be seen as follows:





# Transparency: Supply Chain Mapping

We have broken down the stages of production of our products into six different tiers:

- Tier 1: Garment factories
- Tier 2: Prints, dyes, and/or washes
- Tier 3: Inputs (*trims, threads, buttons, zips, etc.*)
- Tier 4: Fabric mills
- Tier 5: Yarn spinners and processors
- Tier 6: Raw material processors

Changing of the Tide: Fashion supply chains have remained hidden in the shadows as a result of the multiple stages of production and processing. Driven by consumers, non-profits, and social and environmental initiatives, there is a growing demand for more transparency in the fashion industry.

Investigating our supply chain requires working backwards through 6 tiers of suppliers – often engaging with suppliers who have never had to engage in a transparent way. We are working tirelessly to increase our knowledge of our supply chain so we can drive social and environmental improvements.

We trust the audits, site visits, video conferencing and day to day communication with our Tier 1 suppliers helps to cultivate understanding and shared values – ultimately onboarding them in our mission around environmental sustainability and social responsibility.

Our FY21 Goals (% of supply chain mapped)	How We Performed (% of supply chain mapped)	Moving Forward—Our FY22 Goals:
100% of Tier 1	100%	We will continue to collect our supply chain information for each fabrication produced, but will also work to establish methods to verify information provided by our Tier 1 suppliers.
100% of Tier 2	71% ↓	
25% of Tier 3	--	
40% of Tier 4	90% ↑	
30% of Tier 5	72% ↑	
30% of Tier 6	44% ↑	

## Analysis

Our supply chain mapping efforts have provided us valuable information about the material flow in our supply chain. This year, we were able to achieve our mapping goals for all tiers, with the exception of Tier 2 and Tier 3. Moving forward, Tier 3 Inputs (buttons, zippers, lace, threads, etc.) will be omitted from the mapping exercise, as many garments have multiple inputs, and each of these inputs have their own supply chain. Additionally, we will be working to verify the tiers of the supply chain map that our primary suppliers provide us. We will focus our efforts on verifying Tier 2 for FY22.

<sup>2</sup> Supply chain data was provided by Tier 1 suppliers for each fabrication



# Social and environmental verification

As part of our commitment to upholding the highest standards for human rights, each of our global partners sign a strict Supplier Code of Conduct that was developed on the foundations of the Ethical Trading Initiative (ETI) and the International Labour Organisation (ILO).

We also request that each year our Tier 1 suppliers undertake a third-party environmental and social audit of their garment manufacturing operations. Social auditing allows us to assess our suppliers from the view of a non-biased 3rd party and verify the working conditions, worker health and safety, processes, and signal a zero tolerance for human rights violations. While audits can be effective in calling attention to workplace violations, we understand they have limitations and only provide just a snapshot observation.

Our accepted social standards verification are SA8000, WRAP, BSCI, FAIRTRADE, and GOTS, UL Responsible Sourcing Assessment and SEDEX SMETA P2 & P4 environmental and social verification.

100% of our Tier 1 suppliers reviewed and signed for commitment to our Code of Conduct within FY21.

[View our Supplier Code of Conduct here.](#)

Our FY21 Goals (% of Tier 1 manufacturers to undergo social/environmental audit)	How We Performed (% of Tier 1 manufacturers to undergo social/environmental audit)	Moving Forward—Our FY22 Goals:
100% of Tier 1 (social)	89% ↓	100% of Tier 1 suppliers to undergo a social audit
70% of Tier 1 (environmental)	42% ↓	80% of Tier 1 suppliers to undergo environmental audit

## Analysis

We were unable to accomplish our goal of 100% of Tier 1 suppliers to undergo a social audit. Two of our suppliers were unable to have external consultants enter their facilities due to COVID-19 social distancing restrictions. As we continue our commitment to contributing to the improvement of global social conditions, we will also be working with our suppliers to ensure that all our Tier 1 suppliers have effective grievance mechanisms and informed worker empowerment programs by 2025.

43% of our Tier 1 suppliers underwent an environmental audit during FY21. This fell short of our 70% goal. We hope to improve this year as we communicate further with our global partners and work to onboard them in our mission to verify the environmental impact of our collective operations.



# Social Advocacy

When considering the people in our supply chain we also work with Fair Trade artisan groups to ensure we are expanding our view of what constitutes broadening opportunities and worker empowerment.





# Supporting Artisans

A considerable amount has changed since Spell first began as a market stall selling handcrafted jewellery, but the love and appreciation for handmade and artisanal practices is deeply embedded.



When engaging with artisans, we know it's important to ensure best practice in ethical and social standards – which is often difficult to verify when working with teams outside a traditional 'factory' environment. This is why we endeavour, where possible, to work with Fair Trade artisan organisations. Fair Trade is a globally recognised social certification that ensures social and environmental, ethical, and economic impact. Fair Trade works to transfer wealth back to farmers and workers in developing countries who deserve a decent income and decent work.

For six years we have been working with SETU – The Bridge to Artisans. SETU is a Fair Trade organisation in India that bridges the gap between international commerce markets and artisans in marginalised and underprivileged communities, providing individuals an opportunity to earn a living and participate in the global economy that they may not have had access to otherwise.

	No. of artisans working on project	No. of working days	Total person-days
Jewellery 2020	17	105	1,785
Jewellery 2021	30	137.7	4,130
Desert Rose Boot - Toe + Heel hardware	6	71.7	430

We collaborated on three separate projects, providing approximately 6,345 person-days of work spanning across the three projects<sup>3</sup>.

Moving forward, we will continue our partnership with SETU, and we also hope to engage with Artisan projects in other parts of the world, as well as here in Australia.

<sup>3</sup> Artisan working data is an approximation provided through self-declaration from SETU



# Modern Slavery

Instead of asking ‘what if we find modern slavery in our supply chain?’ we should be asking ‘what do we do when modern slavery is found in our supply chain?’ One of our key learnings when our team attended a Modern Slavery Workshop hosted by Stop the Traffik in March 2019.



We recognise that modern slavery exists and is systemic, therefore it is an important issue to address across our supply chain to ensure those who are vulnerable are not exploited. Given the risk that we may directly or indirectly contribute to modern slavery practices, Spell recognises the importance of developing a responsible sourcing strategy. We are constantly reviewing and assessing the risk in our supply chain and taking action to reduce the risk. At this time, we have not identified any instances of modern slavery in our supply chain, but will remain proactive in our due diligence.

This year Spell published our first Modern Slavery Statement. Although our business falls below the threshold for obligatory reporting under Australian legislation, we have volunteered to develop our Modern Slavery Statement in compliance with the requirements of the Australian Modern Slavery Act 2018. Our commitment to upholding the highest standard for human rights within all parts of our operations is a fundamental part of our business. Our Modern Slavery Statement will be reviewed each year to ensure that we are regularly reassessing our supply chain and improving upon our remediation strategy. Our Modern Slavery Statement can be read [here](#).



## Xinjiang Cotton

In discussing modern slavery in the fashion industry, we must explicitly address the allegations and experiences of exploitation of Uyghur people taking place in China's Xinjiang Uyghur Autonomous Region, specifically for the growing and harvesting of cotton.

Spell does not condone any use of exploitation in our supply chain. We analyse the information provided in our supply chain maps and work closely with our suppliers to ascertain that we are not contributing to the use of forced labour in this region.

## COVID-19

The reverberations of COVID-19 continued to be felt throughout this year, putting some of our suppliers into situations that were simultaneously challenging and tragic.

Without the availability of government aid, many of our partners around the world were forced to find ways to keep working while outbreaks unfolded around them. To avoid adding extra pressure, we have become adaptable with our timelines, changing plans and launch dates to accommodate the unexpected – with a view to best support our suppliers, as guided by their needs. Our suppliers have set-up COVID-19 support systems to aid their employees through the times of crisis and unpredictability.





## Diversity and Inclusion

We are committed to ensuring the unique lived experiences and perspectives of our local and global team, our stakeholders and wider community are acknowledged and championed; it's these lived experiences and perspectives that form the tapestry of our organisation, and the whole of humanity.

This year we published our Diversity and Inclusion Statement. We are engaging with experts across a spectrum of fields within the D&I space, so that we may operate from a best practice framework. We are continually engaging in facilitated learning across different areas and functionalities within our business.

Our Diversity and Inclusion Statement can be read [here](#).



# Reconciliation Action Plan (RAP)

The heart of our Australian team, our headquarters, warehouse, and flagship store are all located on Bundjalung Country.



We acknowledge the Country on which we operate was never ceded. But it is not enough to acknowledge this, we are working to understand our role in reconciling the actions of the past and present and implement meaningful actions to educate and immerse ourselves in the culture of our First Nations Peoples and continually explore how we can honour the traditions and creativity from Aboriginal and Torres Strait Islander culture. We have established our Reconciliation Action Plan (RAP) program and working group to contribute to advancing the National Reconciliation movement by supporting organisations to develop respectful relationships and create meaningful opportunities with Aboriginal and Torres Strait Islander peoples. We have formed our RAP working group and are in the 1st stage of our RAP which is the 'REFLECT' stage. This stage can be up to 18 months, and we are using this time to reflect with our immediate action plan.





Planet



## 2025 Sustainability Roadmap:

# Planet

The fashion industry, as it currently stands, depends on a linear flow of resources and is responsible for at least 8.1% of global greenhouse gas emissions, 20% of industrial water pollution, and produces 92 million tonnes of textile waste per year. The majority of our impact lies in the production of our garments – which means we can make the most positive impact by considering and improving the fabrications and production processes we use.

Guiding Principle	Objectives	Delivers on SDG	2025 Goals
Environmental and Climate Stewardship	Minimise environmental and ecological impact by prioritising responsible practices that support regeneration, circularity, and innovation	SDG 12 SDG 13	<ul style="list-style-type: none"> <li>100% preferred fibres</li> <li>Reduce the impact that results from colouring our textiles: Eliminate harmful chemicals from printing and dyeing &amp; utilise close-loop technologies and digital printing</li> <li>Verify the environmental standards of entire supply chain</li> <li>Embrace circular strategies to reduce textile waste and overuse of natural resources (GlamCorner rental platform, repair practices, Spell Renew, takeback scheme)</li> <li>100% of consumer packaging from circular or certified recycled sources (plastic-free)</li> </ul>
	Reduce climate impact of operations	SDG 12 SDG 13	Measure, reduce, and offset carbon footprint to achieve carbon neutral certification

<sup>4</sup> Quantis – MEASURING FASHION 2018 Environmental Impact of the Global Apparel and Footwear Industries Study, these figures can change slightly depending on different studies (and depending on the specifics, i.e. textile industry, garment industry or apparel + accessories industry etc).

<sup>5</sup> World Resources Institute – The Apparel Industry's Environmental Impact

<sup>6</sup> Nature Review Earth & Environment – The environmental price of fashion



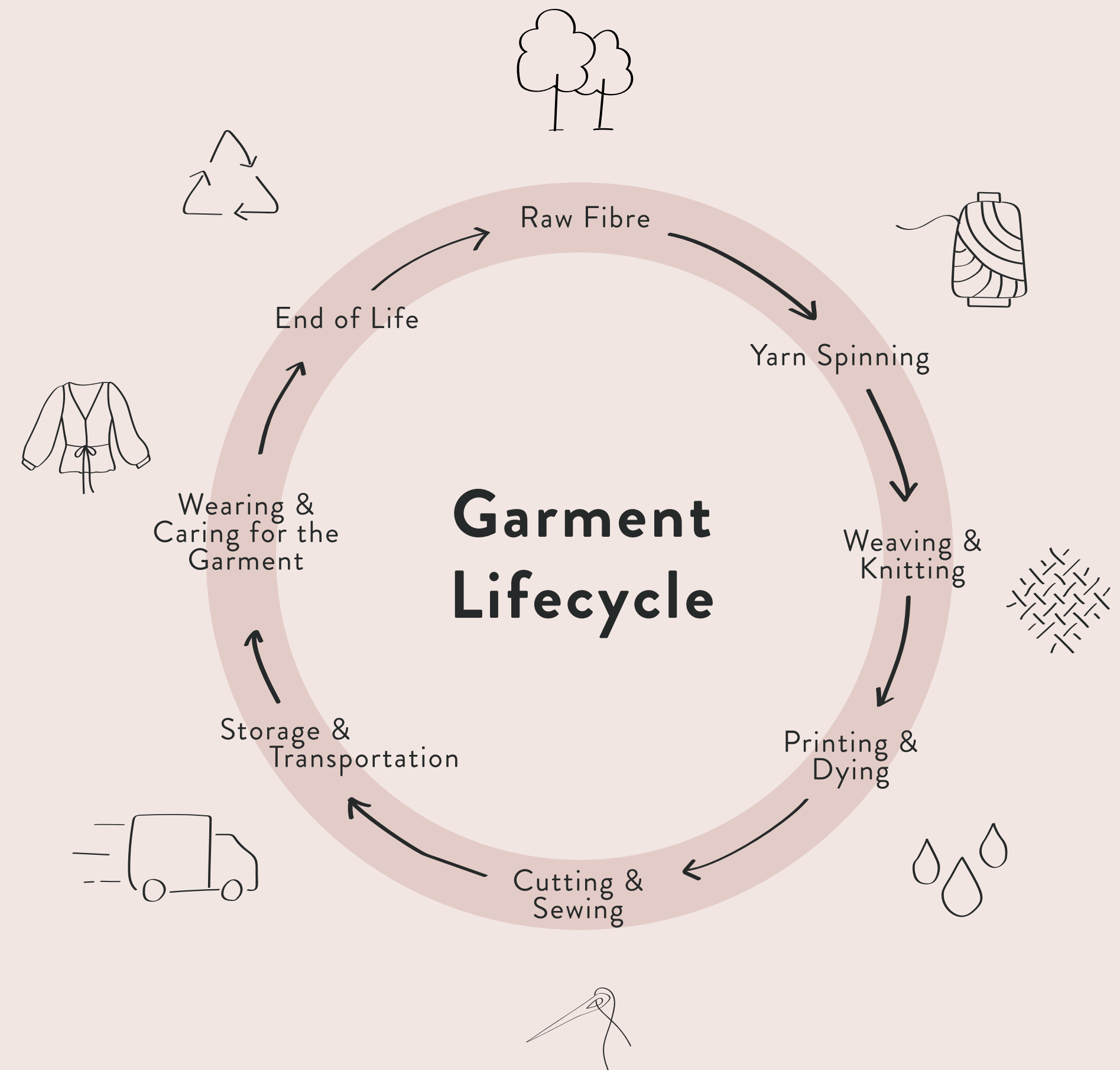
# Environmental & Climate Stewardship

## Preferred Fibres

Each of our garments have an impact. The impact is spread throughout the life of a garment

The fibres we choose to utilise in our garments directly affects the environment, workers, and nearby communities across the stages of the garment life cycle. For this reason, we developed our Preferred Fibres Matrix to assist us in making responsible decisions. Our Preferred Fibres were scored based on criteria that assessed impact throughout the garment lifecycle and considered the following:

Raw Materials	Processing & Production	Wear & End-of-Life
Renewability	Water consumption	Durability
Circularity	Energy consumption	Biodegradability
Animal welfare	Fertilisers & pesticides	Recyclability
	Chemical impact	
	GHG emissions	





Our Preferred Fibre Matrix was updated in FY21 from previous years based on industry reports and fibre Life Cycle Assessments. Our Preferred Fibre matrix is utilised in calculating our fibre results for this year. We reduced our Preferred Fibre Matrix from five categories to four – eliminating a column that sat between Good and Unfavourable. Using the methodology above to assess the fibres, the most notable change is that linen is now classed a Good fibre.

### Preferred Fibre Matrix

Preferred		Phase Out	Do Not Use
Superior	Good	Unfavourable	Prohibited
<ul style="list-style-type: none"> <li>Organic Linen (GOTS)</li> <li>Regenerative Organic Cotton (GOTS, OCS)</li> <li>Organic Cotton (GOTS, OCS)</li> <li>Certified Recycled Cotton (GRS, RCS)</li> <li>CanopyStyle Cellulose (audited to score 25+)</li> <li>Hemp</li> <li>Organic Wool (GOTS)</li> <li>Certified Recycled Wool (GRS, RCS)</li> <li>Certified Responsible Wool (RWS)</li> </ul>	<ul style="list-style-type: none"> <li>Linen</li> <li>Ramie</li> <li>Transitional cotton</li> <li>Conventional wool</li> <li>Recycled silk</li> <li>Peace silk</li> <li>Certified Recycled Synthetic (GRS, RCS)</li> </ul>	<ul style="list-style-type: none"> <li>LWG Leather</li> <li>Conventional silk</li> <li>Conventional cotton</li> <li>Virgin synthetic polyester</li> <li>Virgin synthetic polyamide</li> <li>Conventional cellulose</li> </ul>	<ul style="list-style-type: none"> <li>Conventional Leather</li> <li>Fur</li> <li>Angora</li> <li>Mohair</li> <li>Exotic animal skins</li> <li>Polyurethane</li> <li>Acrylic</li> </ul>

Each year we track our fibre usage with the intention of achieving our Preferred Fibres targets. In past years, our percentage was calculated by SKU, but we have updated our methodology to be a more accurate representation of our production. Our percentages are now calculated based on the total quantity of product produced.

Our FY21 Goals:	How We Performed:	Moving Forward—Our FY22 Goals:
<ul style="list-style-type: none"> <li>80% of cotton responsibly sourced</li> <li>60% of cellulose fibres responsibly sourced</li> <li>60% synthetics from recycled sources</li> <li>100% leather from LWG certified tanneries</li> </ul>	<ul style="list-style-type: none"> <li>91% of cotton was certified organic ↑</li> <li>84% of cellulose fibres were FSC certified LENZING™ fibres ↑</li> <li>70% of synthetics were recycled fibres ↑</li> <li>100% of leather was from LWG certified tanneries</li> </ul>	<ul style="list-style-type: none"> <li>100% of cotton responsibly sourced</li> <li>70% of cellulose responsibly sourced</li> <li>70% of synthetics from recycled sources; R&amp;D synthetic alternatives</li> <li>100% of leather from LWG suppliers</li> <li>20% of linen certified organic</li> </ul>

<sup>7</sup> 99% of organic cotton was substantiated with transaction certificates and self-declarations, 1% was unsubstantiated

<sup>8</sup> 53% of recycled synthetics substantiated with transaction certificates and self-declarations, 47% were unsubstantiated





## Analysis

We are proud that we exceeded our primary fibre goals this year, but the work does not end there. Organic cotton is in higher demand than ever and we are preparing for future sourcing challenges (with organic cotton supplies shortages already occurring). We move forward from here with the aim to increase our preferred fibre percentages each year and to include more recycled fibres, including recycled cotton and other regenerated cellulose fibres from waste and industrial by-products.

## Animal Welfare

We continue to operate in-line with our Animal Welfare Policy which prohibits the use of

- Angora
- Mohair
- Leather from Non-LWG tanneries
- Exotic animal skin
- Fur

## Leather

Leather comprises a small percentage of our products (approximately 1% of production in FY21 contains leather). We understand that leather is a debatable and challenging material given the impact that the cattle industry has on climate change as well as the environmental impacts of chemical processing, lack of supply chain transparency and murky animal welfare standards. We ensure that 100% of our leather comes from certified Leather Working Group (LWG) approved tanneries. This means the tanneries have been audited and certified ensuring compliance and best practices are used to reduce environmental impact.

While we continue to source our leather responsibly, we are also exploring options for more sustainable and innovative alternatives.



# Elimination of Harmful Chemicals

## Digital Printing

Spell’s signature prints are an aspect of our designs that have become synonymous with our brand identity.

These unique prints have an impact of their own to consider. Until more recently, textile printing was limited to analogue screen-printing processes which have high water and energy consumption as well as inks and pigments contributing to waterway pollution globally. Technological advances have helped to reduce the cost and as a result, digital printing is becoming more accessible for brands to utilise. According to FESPA, digital printing greatly reduces the consumption of water and the discharge of noxious effluents from the fabric printing process and uses only 16% of the ink . This year we introduced printing goals to our 2025 Roadmap.

Our FY21 Goals:	How We Performed:	Moving Forward—Our FY23 Goals:
Introduced digital printing goals to our 2025 Roadmap	23% of our total printed products were digitally printed	40% of our total product to be digitally printed.

<sup>9</sup> While a metre of fabric may require 50-60 litres of water when printed with conventional screen-printing processes, only 10 litres of water are required to print the same meter of fabric digitally. FESPA - Sustainability is the Paradigm of Digital Textile Printing







## RSL & MRSL

As we strive to design “in harmony with people and planet,” we turn our attention to chemicals.

Chemicals are used throughout the fashion supply chain, from raw material processing and yarn formation to textile printing and dyeing and garment finishing. Many chemicals are extremely harmful to the environment, workers and wearers if used or managed incorrectly. It is our goal and responsibility to make certain that our garments are safe for wear. Last year, in partnership with One Peterson Australia, we finalised our MRSL (Manufacturing Restricted Substance List) & RSL (Restricted Substance List). The MRSL addresses all chemicals that’s usage is restricted throughout the whole manufacturing process of the garment. The RSL takes into consideration the chemicals that shall not be found within the final product.

This year we distributed the finalised lists to each of our suppliers for acknowledgment of our expectations and have begun a textile laboratory testing scheme, whereby we select a percentage of our finished textiles from our bulk production to be tested by SGS Laboratories to verify the safe use of chemicals in our garments. We completed our first lot of testing on our Winter 2021 Folk Song collection with 100% of our fabrics passing successfully.

Our MRSL & RSL are published on our website [here](#).

We are working towards having all of our printing lower impact and certified.



# Circularity

The traditional linear business model has us overusing earth's limited resources, destroying ecosystems, and producing more waste globally than we can properly manage. As a global community, we must be determined to break down current business models and rebuild innovatively. Circularity is the only way forward. We are working year on year to further develop our involvement in the circular economy.

## Sister to Sister

In April 2021 we introduced a new circular strategy as we joined the fashion rental market. Our Sister to Sister rental platform, facilitated in partnership with GlamCorner, allows our customers to wear Spell by utilising the Product as a Service circular economy strategy. Each garment that we produce utilises resources, many of which are virgin resources. By participating in the rental market, we aim to reduce the demand for virgin resources by decreasing the volume of clothing purchased for one-off occasions. The fashion rental market is not a perfect solution, but it is a steppingstone that provides an opportunity to pause and re-evaluate our purchasing habits.

Although this platform was launched during a pandemic and rental market was down, we had a total of 277 garment rentals in the 3 months since launch.

The largest impact of the fashion rental market lies in the round-trip shipping and garment care after each use. Rather than using traditional dry-cleaning processes to care for clothes after rental, GlamCorner's in-house washing system utilises nonhazardous detergents that are safe for workers and wearers can be treated like conventional laundry detergents that we use in our homes.



<sup>10</sup> Traditional dry-cleaning utilises chemicals like perchloroethylene that are known to be harmful for workers and the environment.



# Garment Repairs

All too often a faulty garment is returned, and without a repair system, its resource value may be wasted. When Spell receives a faulty return, our technical team assesses the fault and whenever possible, repairs the garment, returning it to its original design and quality standard.

We log each of our garment repairs into our Repair Tracker. This year our technical team repaired 53 items, restoring their original value.



## Spell Renew

When our designs go to production, in order to minimise waste, we carefully determine the fabric consumption required and our suppliers will “cut to finish”, which means they will cut patterns till there is no remaining fabric. Despite our best efforts, there are some instances that may result in some unused fabric, which is referred to as deadstock. It is our commitment that our deadstock will never end up in landfill or be sold cheaply via fabric markets (which would probably eventually end up in landfill). Our Spell Renew collections utilise our deadstock fabric, giving it the second chance it deserves and ensuring it does not go to waste.

This year we released six Spell Renew styles, including two garments, and four lifestyle products, utilising approximately 4,940 metres of deadstock fabric.

We also produced a short run of exclusive styles and colourways using our leftover sampling fabric from Winter 2021 Folk Song. These exclusive special makes were added to our GlamCorner rental collection.

<sup>11</sup> Calculated by consumption for each garment and multiplied by quantity produced. Consumption values provided by supplier and/or product specifications.



# Packaging

Product packaging serves to protect the product throughout the different steps as it makes its way from our suppliers to our warehouse and into the hands of our stockists and customers. In general, once the product arrives to the customer, the packaging reaches its end of life. With billions of garments produced each year it is easy to see how this single-use package is an environmental issue.

In April 2020 we joined the prAna Responsible Packaging Movement, a collaborative initiative that brings brands together to reshape our industry packaging habits. With the aim to reduce our impact from packaging, we are working towards 100% of our consumer packaging from certified recycled or circular sources (eliminating the use of virgin fibres) by 2025

Our FY21 Goals:	How We Performed:	Moving Forward—Our FY23 Goals:
50% of B2C packaging from certified recycled or compostable from renewable sources	48% ↓	50% B2C packaging from certified recycled, FSC or circular sources & eliminate the use of plastic in consumer packaging

## Analysis

90% of our B2C (Business to Customer) packaging used this year was plastic-free and biodegradable and/or recyclable. We fell 2% short on our packaging goal for this year, with 48% of our packaging from certified recycled or certified compostable from renewable sources.

Our current sustainable packaging includes bio-source compostable PLAs for our mailers and garment poly bags. While the mailers are home compostable, the best disposal of the PLA garment poly bags is in industrial composting. Many of our customers do not have access to home or industrial composting facilities, meaning the packaging may be sent to landfill instead. In the coming years, in alignment with our prAna RPM goals, we will move away from the compostable bio-plastics and take steps in sourcing materials that can be easily disposed of in council recycling systems.



# Walk A Little Lighter

As a team we make an effort to operate more responsibly, by implementing different practices around our HQ, boutique and Australian warehouse. Here are some of the things we are doing to walk a little lighter in our everyday lives:

We consider our energy consumption: natural light, LED bulbs, and open windows instead of air conditioning help us to use electricity more responsibly.

In addition to solar installed on the roofs of our HQ and Boutique, 100% of our energy at our HQ, warehouse and boutique is supplied from local, renewable sources (thanks to our energy supplier, Enova!).

All food waste is composted at our HQ, we have a growing population of very happy worms in our onsite Subpod® worm garden.

We have transitioned to digital systems, helping us to reduce our HQ printing 39% from FY20.

Single use plastics are banned in our office and all employees are given a reusable coffee cup.





## Carbon Footprint

Greenhouse gas emissions (GHGs) are at the forefront of nearly all environmental and climate discussions.

As countless reports indicate, humans are releasing carbon and other GHGs into the atmosphere at rates faster than any in history.

This year we expanded our inventory to include all our Australian and international organisation operations, garment packaging and upstream and downstream freight. We have partnered with Norwegian company CEMAsys to assist in calculating our carbon footprint.

### Our Carbon Inventory

We have included emissions in our carbon inventory from Scope 1, Scope 2, and Scope 3 in alignment with the Greenhouse Gas Protocol:

- Scope 1 emissions come from sources that are owned or controlled by the company, such as company owned vehicles
- Scope 2 emissions account for emissions from electricity that is generated by and purchased from a third party
- Scope 3 includes all other indirect emissions, such as those from purchased goods, freight, business travel and commuting, etc.

Included	
Scope 1:	Company owned vehicle
Scope 2:	Electricity (HQ, Warehouse, Boutique)
Scope 3:	Packaging Water consumption at Australian Spell facilities Office supplies, paper Office food & drink Upstream & downstream Freight Waste and recycling from Australian operations Business travel – transportation, accommodation Employee commute Warehouse & 3PL storage Events & photoshoots – transportation, accommodation, meals

This year, we included all emissions sources for our organisation that have a significant impact on our carbon footprint. We excluded our product from our carbon footprint this year. We aim to include our product in the future so that we can have an accurate and complete account of it.

Our emissions were assessed based on the GHG Protocol's principles for accounting:

- Relevance
- Completeness
- Consistency
- Transparency
- Accuracy





## Our Footprint

Our total carbon footprint this year was calculated to be 2,696 tCO<sub>2</sub>e.

(This total is inclusive of 22.9 tCO<sub>2</sub>e location-based Scope 2 emissions and a 5% uplift factor applied to our Scope 3 Purchased Goods and Services).

## Offsetting

This year as we expanded our carbon footprint boundary to include all our Australian and international organisation footprint, we also chose to offset 100% of our calculated organisation footprint.

With our Scope 2 electricity sourced from 100% local renewable energy (producing 0 tCO<sub>2</sub>e), the 22.9 tCO<sub>2</sub>e was deducted from the total implementing the market-based approach for Scope 2.

DHL, one of our logistics partners, offset 41.6 tCO<sub>2</sub>e on our behalf.

So, our total carbon footprint remaining to be offset was 2631.6 tCO<sub>2</sub>e

For the past two years Spell has partnered with the Aboriginal Carbon Foundation (AbCF) to offset our Australian operations. We have continued our partnership with AbCF and purchasing carbon credits supplied by the Karlantijpa North Savanna Burning Project located in the Northern Territory. We purchased 216 Australian Carbon Credit Units (ACCU).

This year we partnered with Tasman Environmental Markets (TEM) to purchase carbon credits to offset our international portion of our organisation operations. The projects we chose to support in our offsetting were in areas where our business operations have an impact.

**Winds of Change:** These offsets purchased fund wind energy projects helping to introduce more renewable energy to the grid in India, reducing their reliance on coal power. We purchased 1,812 Verified Carbon Units (VCUs).

**Rainforest Rescue:** The offsets purchased from these projects are primarily located in Peru and go towards the protection of rainforests—a very important type of forest which play a large role in the water cycle—contributing to cloud formation and rainfall, helping to prevent droughts, and helping to keep the surface of the earth cool and stable. We purchased 604 Verified Carbon Units (VCUs).

Calculating and offsetting our carbon footprint are very important actions in taking responsibility for our impact, however developing a plan for emissions reductions is the final (and possibly the most important) component of our carbon strategy. Our goal for the coming year is to develop our emissions reduction plan in line with the Science Based Targets Initiative (SBTi).





Prosperity



## 2025 Sustainability Roadmap:

# Prosperity

Guiding Principle	Objectives	Delivers on SDG	2025 Goals
Giving Back	Contribute to our local and global community through philanthropic endeavours	SDG 10 SDG17	Donate to organisations that support environmental and social causes



# Giving Back

A thriving business provides an opportunity to do good while doing well. Spell's company culture holds community at its core, so giving back to our local and global communities is an integral part of our business operations.

We are proud to contribute to a range of organisations whose mission is to make a positive impact for people and the planet.

This is the second year we have made contributions to Climate Council, an organisation that educates and engages the community and puts pressure on our politicians to address the effects of climate change.

Donations to Climate Council = \$50,000

This year we also contributed to Bunjum Corporation. Bunjum Corporation provides holistic, integrated services and programs, enabling and empowering local Aboriginal Community Members on Bundjalung Country.

Donations to Bunjum Corporation = \$50,000

Additional community contributions and in-kind donations = \$9,312

Contributions and donations total = \$109,312

We donated approximately eighteen cartons of deadstock fabric to non-profit organisation Bulimba Creek Catchment Committee to make items which they sell to raise funds for ecological rehabilitation.





# The Final Say

Our sustainability journey is a journey with no end, it is a continual exercise in learning and improving, allowing us to walk a little lighter while making a true dent in the social and environmental impacts of our industry as a whole.

Our annual sustainability report allows us the opportunity to share our efforts and accomplishments and keeps us accountable as we work towards our goals.

Our next Impact Report will cover FY22—reporting on our activities from July 1, 2021 through June 30, 2022.

We would love to hear your feedback on this report. Please send any questions or comments to [sustainability@spell.co](mailto:sustainability@spell.co)

This Impact Report was audited and verified for accuracy by Control Union.

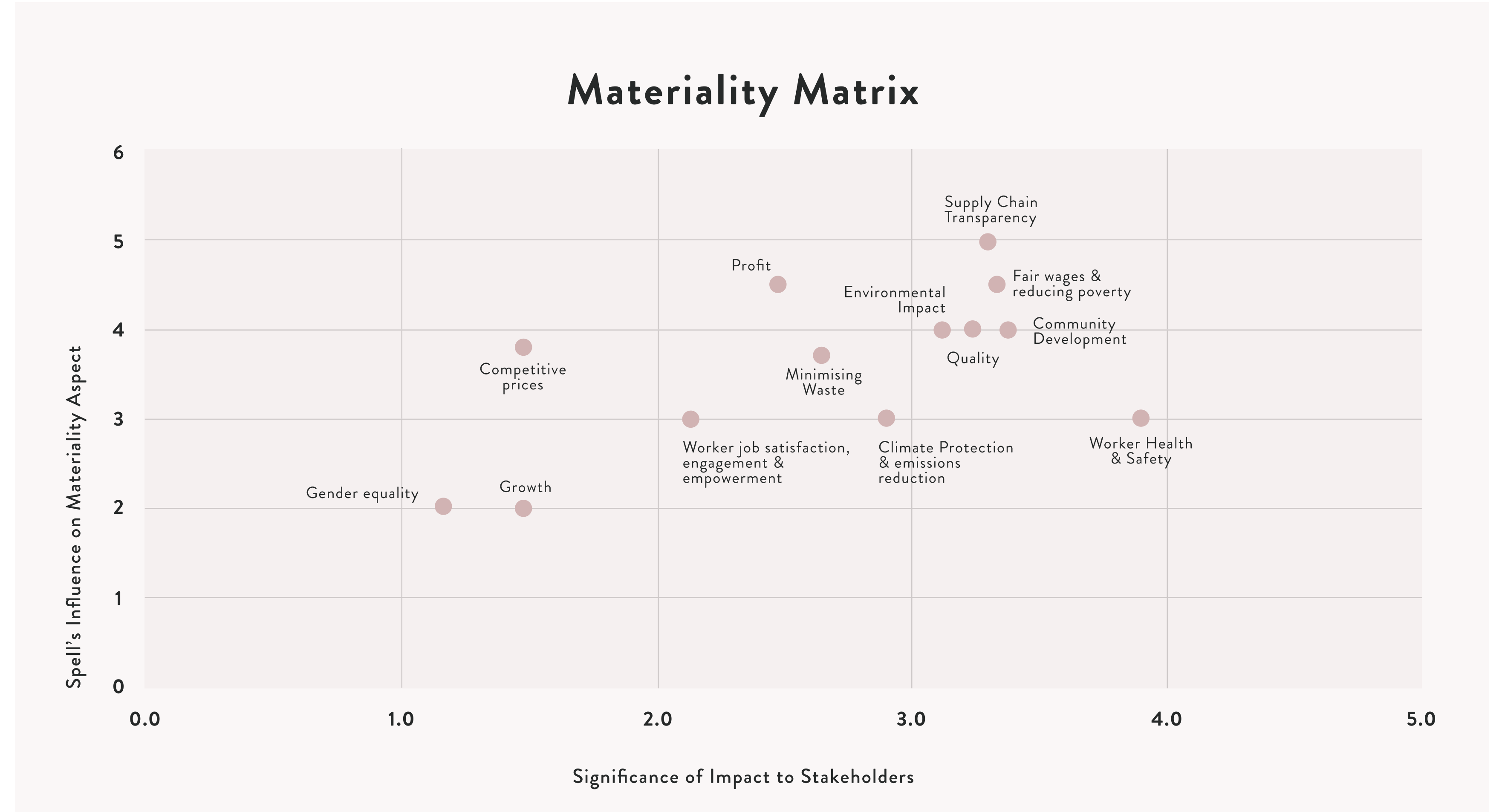




# Appendix

## I. Materiality Assessment

Through engagement with our different stakeholders, we are able to better understand our efforts that should be prioritised. In developing our Materiality Matrix, we considered our Sustainability Roadmap goals and received input from our suppliers and customers through surveys. The Materiality Matrix plots the different perceived impacts and the relevance to our stakeholders and Spell's influence and leverage on each aspect.





## II. GRI Index

GRI Standard	GRI Disclosure	Spell response; relevant pages
102: General Disclosure	102-1 Name of organisation	Spell Designs Pty Ltd.
	102-2 Activities, brands, products, and services	Sustainability at Spell, Overview; p. 5
	102-3 Location of headquarters	People, Our global community; p. 11-13
	102-4 Location of operations	People, Our global community; p. 8
	102-5 Ownership and legal form	Australian Reporting Entity: Spell Designs Pty Ltd USA Reporting Entity: Spell Designs (USA) Inc. Spell Group includes all reporting entities, including Spell IP and Spell Services
	102-6 Markets served	People, Our global community; p. 11-13
	102-8 Information on employees and other workers	People, Our global community; p. 11-13 At the close of FY21, Spell employed the following workers: Full time permanent staff – Female: 22 Full time contract staff – Female: 1 Part time permanent staff – Female: 22 Casual staff – Male: 1 Casual staff – Female: 14 On maternity leave – Female: 2
	102-9 Supply chain	People, Our global community; p. 11-13
	102-12 External initiatives	Sustainability at Spell, Alliances for Progress; p. 8
	103-13 Membership of associations	Sustainability at Spell, Alliances for Progress; p. 8
	102-14 Statement from senior decision-maker	A note from Lizzy; p. 3
	102-18 Governance structure	Senior Leaders Group collaborates for decision-making on economic, environmental, and social topics. Refer to Appendix, III. Organisational Structure; p. 39
	102-40 List of stakeholder groups	People, Our global community; p. 11-13 People, Social Advocacy; p. 14-15 Prosperity, Giving Back; p. 35



102-47 List of material topics	Appendix, I. Materiality Assessment; p. 37 Appendix, I. Materiality Matrix; p. 37
102-49 Changes in reporting	Our previous Impact Reports reported on our activities within a calendar year, our most recent Bridging Report covered the 6-month period between our calendar year reporting method and we are now, and moving forward, reporting each year on the financial year Jul 1 through Jun 30.
102-50 Reporting period	Sustainability at Spell, Overview; p. 5
102-51 Date of most recent report	Bridging Report, reporting period Jan 1, 2021 through Jun 30, 2020
102-53 Contact point for questions regarding the report	The Final Say; p. 36
102-55 GRI content index	Appendix, II. GRI Index; p. 38-39

### III. Organisational Structure

<b>Co-Founders</b>	Creative Director (Isabella Pennefather) & Chief Branding Officer (Elizabeth Abegg)							
<b>Management</b>	General Manager (Lisa Welsh)						Executive Assistant	
<b>Senior Leaders/ Department Managers</b>	Head of Product & Sustainability	Finance Manager	Global Wholesale Manager	Digital Strategy Manager	Supply Chain Manager	Marketing Manager	Human Resources Manager	Legal Counsel
<b>Department Teams</b>	Design, Art & Textile, Buying, Tech & QA, Sustainability	Finance, Payroll	Wholesale Accounts & Coordination	Digital, Website, Customer Care	Warehouse, Production & Logistics, Product & Sampling	Marketing, Events, Graphics, Content, PR		



# FY21 Impact Report



SPELL

WWW.SPELL.CO | @SPELL | SUSTAINABILITY@SPELL.CO